

MISSOURI HOUSE OF REPRESENTATIVES

INTERIM COMMITTEE TO STUDY GAMBLING ON TRAINS

FINAL REPORT

MEMBERS

**Carol Jean Mays, Chair
Joan Bray
Don Kissell
Bonnie Sue Cooper
Mike Gibbons**

MISSOURI STATE LIBRARY

FALL, 1995
DEC 28 2001

TO: Speaker Steve Gaw

In accordance with former Speaker of the House Bob Griffin's directive to the Interim Committee to Study Gambling on Trains, the duly appointed members of the committee respectfully submit their report.

Members:

Carol Jean Mays, Chair

Joan Bray

Don Kissell

Bonnie Sue Cooper

Mike Gibbons

Staff:

Leona Welch, Secretary

Bill Tucker, Research Analyst

Hearings were held on October 16, 1995 in Kansas City; October 23, 1995 in St. Charles; and November 8, 1995 in Jefferson City to solicit comments of the various industries and the general public.

The interim committee was charged by you to study the feasibility of authorizing gambling on trains and make recommendations to the full House of Representatives body on any action necessary to carry out the findings of the committee. The committee appreciates the testimony and involvement of the many individuals from the public and private sectors who provided information during its deliberations.

COMMITTEE RECOMMENDATION

The committee recommends the following action:

Require by law that the Missouri State Gaming Commission commission an independent study of the feasibility, benefits and detriments of the authorization of gambling on trains. The study should include, but not be limited to, the marketability, estimates on possible increases in ridership and revenues, feasibility due to size constraints on trains, recommended gambling game types, availability of potential operators, availability of major freight and short-line track routes, security concerns, recommended tax rate and licensing fee levels, necessary changes in current law, and any other topics as recommended by the General Assembly.

The study should be completed and delivered to the Missouri General Assembly no later than January 1, 1997. Funding for the study should be taken from the Gaming Commission Fund.

INTERIM COMMITTEE TO STUDY GAMBLING ON TRAINS

SUMMARY OF TESTIMONY FOR KANSAS CITY HEARING OCTOBER 16, 1995

Representative Carol Jean Mays, Interim Committee Chairperson

Representative Mays made organizational comments to the committee and audience. She stated that the original idea for proposing gambling trains came from the Amtrak subsidy hearings in Jefferson City last spring. The request for additional subsidies by Amtrak to continue its passenger rail service from Kansas City to St. Louis seemed like blackmail. Amtrak threatened to implement drastic cost-saving cut backs if the subsidies were not increased.

Representative Mays stated that she believes passenger rail service should pay for itself without the help of state or federal subsidies. She believes that most people want the service available and even expanded to other parts of the state. There are a few lines that are operated by Amtrak that are very popular because of the scenery or because they connect business and trade centers. Offering gambling to the passengers on trains should increase ridership and make the operations profitable.

The creation of a gambling car is not a big stretch from the observation cars commonly used on passenger trains in the early 1900's. These cars were used for dining, drinking and smoking and it was not uncommon to find a card or dice game being played on one. The cars were lavishly decorated with velvet and trimmed with fine wood and exotic fixtures. She visioned the possibility of gambling cars with the same characteristics of the old observation cars.

With the proposal of gambling cars being well publicized in the media, Representative Mays stated she has received many comments from the general public. Overwhelmingly, the responses were positive and supportive. And why not in Missouri? With an emphasis on tourism, the idea could not only save passenger rail service in Missouri, but allow it to expand and flourish. The purpose of this hearing and ones to follow is solicit public and industry input into the feasibility of the idea.

D.J. Roberts, Vision Transportation Technologies

Mr. Roberts stated he has been in the railroad business for 34 years. His current business is a holding company for short-line railroads. He firmly believes that gambling on trains would help offset the deficit of passenger rail service.

Mr. Roberts said the idea of privatizing the rail service is appealing and would work. Amtrak's current operation costs are too high to be profitable. Approximately, 81% of Amtrak's costs are

covered by its profits with the rest paid by federal and state subsidies.

Mr. Roberts stated that two Amtrak routes are very popular, V.I.P. cars in Virginia and the New York City to Washington, D.C. route. These are examples of successes that should be used as models for other routes. The key to passenger is marketing.

Mr. Roberts stated his company is very interested in the concept of gambling on trains. He feels freight lines would be receptive to the idea if there is the proper exercise involved in the planning. The old Rock Island route (Kansas City to St. Louis) would be a good line for gambling. He feels it is vital to industry of small towns in Missouri to preserve rail infrastructure. Cities need these track lines move goods to market. Gambling may be a way to help preserve the infrastructure and help the freight industry.

Mr. Roberts stated that the Missouri Department of Highways and Transportation needs to do a better job of promoting rail service. During negotiations for acquiring the Moberly to Iowa route, the department offered absolutely no help. He felt this was key to the rail service industry.

Short line operators are necessary for the industry to prosper. Freight service is as important as passenger rail service is to the industry. He suggested the possibility of offering tax breaks or low interest loans to the short line operators to improve profitability and/or designating certain rail lines as enterprise zones for economic development purposes.

Darrell Tisor, Federal Railroad Administration

Mr. Tisor stated that through the committee's development of the concept of gambling on trains, emphasis should be placed on safety. Since the gambling cars would be very unique, the design should consider safety of the passengers. He also stressed the need for engineer certification and drug and alcohol testing.

Paul Scianna, Missouri Research Institute/Family Planning Center

Mr. Scianna stated if this concept is adopted, the new train robbers would be slot machines. He stated that there is no reason to believe that this idea would save passenger rail service. Current state sponsored gambling has not fulfilled it's promises of funding education, as only 2% of education appropriations are from gambling revenues. Most Missourians do not want gambling in their own backyard.

He said that gambling is spreading fast in the United States. Over \$35 billion dollars were lost last year by gambling patrons. It feeds on low income Americans three times more than the well to do. It increases social costs at a greater rate than the revenues from gambling (for example, through domestic violence). The promotion and regulation of gambling by governments is a bad

combination. He also stated that trains will be allowed to park when allowed to offer gambling, much the same as riverboats are allowed to do now.

He requested that the committee look at the real numbers associated with state sponsored gambling before recommending an expansion of the industry.

**SUMMARY OF TESTIMONY FOR THE ST. CHARLES HEARING
OCTOBER 23, 1995**

Harold Hendrick, Citizen

Mr. Hendrick stated that he opposed to the concept of gambling on trains. He feels legalized gambling has lead to corruption of politicians, such as Speaker Bob Griffin. It also leads to increases in crime and prostitution. He noted that the Gambler's Anonymous organizations have increased from 2 to 18 since riverboat gambling was authorized in Missouri.

Janet Englebach, Citizen

Ms. Englebach stated that money from gambling operations are taken out of the state by gambling operators. She is opposed to the concept of gambling on trains and believes that through cost saving procedures in reorganizing state departments, enough money could be saved to pay for Amtrak.

Reverend James Hamlet, Westside Baptist Church

Reverend Hamlet stated he opposed to the concept of gambling on trains. He stated that as a pastor, he has seen the tragedy that addicted gamblers do to themselves and their families. The number of addicted gamblers has greatly increased since the state authorized riverboat gambling.

Joyce Pillsbury, Citizen

Ms. Pillsbury stated she is opposed to the concept of gambling on trains. She feels that gambling preys on the poorest members of society and that the social costs far outweigh the revenues from state sponsored gambling.

Jim Day, Citizen

Mr. Day urged the committee to seek other methods of saving rail service other than authorizing state sponsored gambling. He is opposed to the concept of gambling on trains.

Kevin Mullally, Missouri Gaming Commission

Mr. Mullally reviewed for the committee the regulatory procedures of the Missouri Gaming

Commission, specifically background checks and audits. He confirmed that the process does not allow criminals to be associated with gaming operations. He stated it may be difficult to provide enough Commission agents to adequately regulate the gambling on trains. He also explained that the Missouri Gaming Commission is not a gambling agency, but a law enforcement agency.

Don Sarno, Train Enthusiast/Historian

Mr. Sarno stated that he is not opposed to the concept of gambling on trains. He feels that passenger rail service should be privatized to help it survive. He state that the major source of income for railroads prior to 1971 was government mail contracts. He questioned why the Kansas City to St. Louis Amtrak service does carried mail now to help reduce the government subsidies.

**SUMMARY OF TESTIMONY FOR THE JEFFERSON CITY HEARING
NOVEMBER 8, 1995**

Jack Hines, Missouri Department of Highways and Transportation

Mr. Hines began his testimony by stating that the Department has no official position on the authorization of gambling on trains.

He stated that the Rail Service Act of 1970 created Amtrak. Actual service began in May of 1971. Amtrak is a private corporation created by Congress that is currently headquartered in Delaware with the stock being held by the Federal Department of Transportation. Amtrak has exclusive rights for passenger rail service in the United States and must abandon their rights before another carrier could be allowed to operate.

The Missouri Department of Highways and Transportation is now the contracting agency for Missouri Amtrak service. There are currently 4 trains operating daily on the St. Louis to Kansas City route (2 going east, 2 going west). The state subsidy to Amtrak was \$2 million in 1994 and expected to be near \$4 million next year. Amtrak employs approximately 144 Missouri residents.

Mr. Hines stated that the Department has looking into contracting with Federal Postal system for mail delivery on Amtrak to assist in reducing the state subsidies as mail is currently carried on the Chicago to St. Louis and the Chicago to Kansas City routes. He also stated that federal law may limit the movement of commodities on Amtrak.

He concluded his testimony by stating that even though Kansas City to St. Louis is not considered a national route, it is supported by Amtrak.

Harry Gallagher, Missouri Amusement Machine Operators Association

Mr. Gallagher stated that his association is made up of 200 small businesses that operate vending machines, video games, jute boxes and various other coin operated devices.

Mr. Gallagher stated he would support the authorization of gambling on trains if the legislation allowed for private operation of the gaming machines versus state operated. If private businesses were allowed to operate the machines, no capitol outlay would be required. He also reinforced to the committee that the technology of coin operated gaming devices have advanced to the point where cheating is impossible.

D.J. Roberts, Vision Transport Technology

Mr. Roberts stated that his company operates private passenger trains. He supports the concept of privatized gambling on trains but wants all options explored to save the passenger rail service in Missouri. He believes that Amtrak should be privatized and non-union operated. If Amtrak was not unionized, it could operate at a fraction of the current cost. He also told the committee that liability insurance costs are prohibitive for private passenger rail service.

State Representative Bill Linton

Rep. Linton told the committee that gambling destroys families and exploits the poorest members of our society. Government used to protect the citizens from gambling, now they promote it. He feels there is a future role for the use of trains in our society, but would rather see them die than to allow gambling.

Roland Chapman, Citizen

Mr. Chapman stated that state promoted gambling coerces the poorest members of society as a quick way to get rich. Gaming estimates never consider the social costs or the lost economic activities in a non-gambling society. He believes gambling does not stimulate other businesses, it takes away from them. He reinstated his opposition to the concept of gambling on trains.

Jack West, Citizen

Mr. West stated he was recently involved in an organization to keep riverboat gambling out of the Jefferson City. The campaign was successful, as over 60% of the voters rejected the plans to operate a casino in the city. He firmly stated his opposition to gambling on trains.

Roselee Hogan, Citizen

Ms. Hogan told the committee of a very bad experience that happened to her family as the result of gambling. She suggested that instead of gambling, a family approach to passenger rail service may increase ridership. She stated privatization is a viable alternative, but she opposes gambling on trains.

Janet Englebach, Citizen

Ms. Englebach stated she is opposed to the concept of gambling on trains. She stated that gambling operators take their money to another state and away from Missouri. She suggested privatization of Amtrak as an alternative to gambling on trains.